

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1729 – SB 2639

March 20, 2018

SUMMARY OF ORIGINAL BILL: Requires the Division of TennCare to submit an annual report of any cost savings realized by the Division as a result of decreases in payments to health care providers due to implementation of the Medication Therapy Management pilot program. Requires the report be submitted to the chairs of the Senate Health and Welfare Committee and Health Committee of the House of Representatives by March 1 of each year the pilot program is in operation.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (015274): Deletes all language after the enacting clause. Prohibits the Division of TennCare (Division), in developing or implementing any payment reform initiative involving the use of episodes of care with respect to medical assistance, from imposing a fine or penalty on any provider. Authorizes the Division to impose withholds in order to recover some portion of costs that exceed a cost threshold for an episode developed by the initiative. Prohibits calling a withhold a fine or a penalty.

Requires the Division, on and after July 1, 2018, in developing or implementing any payment reform initiative involving the use of episodes of care with respect to medical assistance, to adjust and make allowance for costs associated with: a healthcare facility located in an area that lacks an alternative healthcare facility within a 30-minute drive; lack of more than a single provider of healthcare services for including, but not limited to, radiology, anesthesia, pathology, or physical therapy; and contractual agreements between the Division of TennCare, managed care organizations, and other participating providers or healthcare facilities associated with particular episode of care if such contracts are the cause of increased costs. Declares this applicable to any initiative receiving a state innovation model initiative grant from the federal Centers for Medicare and Medicaid services (CMS).

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Exceeds \$14,339,600

Increase Federal Expenditures – Exceeds \$27,660,400

Other Fiscal Impact - The Fiscal Review Committee staff can not verify the validity that the budget reductions are tied solely to the episodes of care initiative.

Assumptions for the bill as amended:

- Based on information provided by the Division, the Division has incurred cumulative budget reductions tied to payment reform for FY14-15 through FY18-19 totaling \$42,000,000. Fiscal Review Committee staff is unable to verify the validity of this number.
- The restrictions in the proposed legislation would significantly impact the episodes of care program, resulting in a recurring increase in expenditures estimated to exceed \$42,000,000 in FY18-19 and subsequent years.
- Medicaid expenditures receive matching funds at a rate of 65.858 percent federal funds to 34.142 percent state funds. Of the \$42,000,000, \$14,339,640 ($\$42,000,000 \times 34.142\%$) will be in recurring state funds and \$27,660,360 ($\$42,000,000 \times 65.858\%$) will be in recurring federal funds.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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